



20. What impact has Michigan's retail choice electricity market had upon energy optimization and compliance in Michigan? What has been the impact in other jurisdictions?

Michigan has followed a practice which is nearly universal among states with active utility energy efficiency programs, which is to place the obligation for providing energy efficiency programs on the distribution utilities. This is the prevalent model, regardless of whether states have “restructured” to allow customer choice or not. A few states have created government or non-profit entities to administer the energy efficiency programs, using revenues provided by the utility companies. No states have placed the energy efficiency requirement on independent energy suppliers, for several reasons, including the facts that they are unregulated entities and there is no way to enforce such a requirement, and that there is considerable turnover in that independent supplier industry.

Michigan is somewhat unique in that in addition to utility administration, the state also provides an opportunity for utilities (particularly for smaller utilities and municipal utilities and electric cooperatives) to simply turn over the revenues to an independent administrator selected by the MPSC. Michigan’s combined approach has worked very well, as the annual reports by the MPSC have clearly demonstrated.

Nationally, fifteen states have active retail choice programs, according to the US Energy Information Administration (see www.eia.gov/cneaf/electricity/page/restructuring/restructure_elect.html). The following table lists those states along with ACEEE’s ranking of those states in “The 2012 State Energy Efficiency Scorecard”, the level of the Energy Efficiency Resource Standard established as of 2012, and the level of electricity savings accomplished in 2010 through the State’s programs. Estimated incremental electricity savings are not yet available for 2012. Some programs increased their standards since 2010, hence the difference between the 2012 resource standard and the 2010 actual savings.

State	ACEEE 2012 Scorecard Rank	2012 Energy Efficiency Resource Standard	2010 Net Incremental Electricity Savings
Massachusetts	1	1.91%	1.1%
New York	3	2.14%	0.84%
Oregon	4	0.98%	1.11%
Connecticut	6	No	1.39%
Rhode Island	7	2.10%	1.04%
Maryland	9	2.44%	0.48%
Michigan	12	1.00%	0.72%
Illinois	14	1.67%	0.46%
New Jersey	16	No	0.40%
New Hampshire	18	No	0.62%
Pennsylvania	20	0.87%	0.23%
Ohio	22	1.19%	0.47%
Maine	25	No	0.73%
Delaware	27	No	0.15%
Texas	33	0.14%	0.19%

Since all but two of these are above median of the nation, it is apparent that there is not a fundamental conflict between retail choice and energy efficiency policy. Further, most of these retail choice states have specific energy efficiency resource standards, similar to Michigan's Energy Optimization Standard.

One key to the success of these programs in restructured states is that the rate charge to support these programs is "non-by-passable". In other words, all customers pay to support the energy efficiency programs through their distribution rates, regardless of whether they purchase their electricity commodity from a regulated utility or an independent supplier, and all distribution utility customers are eligible to participate in the energy efficiency programs.